

## Message Text

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PAGE 01 MANILA 08219 190242Z  
ACTION EA-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05  
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03 PA-01  
CIAE-00 COME-00 FRB-03 INR-10 NSAE-00 XMB-02  
OPIC-03 LAB-04 SIL-01 JUSE-00 FTC-01 /096 W  
-----026463 200313Z /64

R 180916Z MAY 78  
FM AMEMBASSY MANILA  
TO SECSTATE WASHDC 5944  
INFO AMEMBASSY BANGKOK  
AMCONSUL HONG KONG  
AMEMBASSY JAKARTA  
AMEMBASSY KUALA LUMPUR  
AMEMBASSY SEOUL  
AMEMBASSY SINGAPORE  
AMEMBASSY TAIPEI

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E.O. 11652: N/A  
TAGS: EINV, RP  
SUBJECT: PD 1352 WIPES OUT TAX-FREE IMPORTATIONS (IV)

REF: (A) MANILA 7633, (B) MANILA 7771, (C) MANILA 7847

1. SUMMARY. JAPANESE AMBASSADOR HAS APPROACHED SECRETARY VIRATA ON PD 1352, AND JAPANESE EMBASSY HAS ASKED US TO JOIN IN "JOIN1 APPROACH" TO GOP. WE PLAN TO SUPPORT JAPANESE EMBASSY IN "PARALLEL APPROACH." END SUMMARY.

2. JAPANESE AMBASSADOR MIKANAGI MAY 6 TELEPHONED SECRETARY VIRATA ON PD 1352, AND STATED THAT FULL IMPLEMENTATION OF THE DECREE COULD PUT ONE JAPANESE COMPANY IN "TROUBLE" OR "BANKRUPTCY." FYI: JAPANESE COMPANY IS PHILIPPINE SINTERING, A KAWASAKI STEEL SUBSIDIARY WHICH IS THE SINGLE  
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PAGE 02 MANILA 08219 190242Z

LARGEST JAPANESE INVESTMENT IN THE PHILIPPINES. ANOTHER COMPANY FACING SIMILAR TROUBLE IS PHILIPPINE KAO. SEE MIKE MALLOY AWSJ ARTICLE CITED IN MANILA 7633. END FYI.

3. VIRATA TOLD THE JAPANESE AMBASSADOR, "DON'T WORRY," I.E., THAT PD 1352 WILL NOT APPLY TO PHILIPPINE SINTERING, AND THEN FLEW OFF TO GENEVA AND OTHER POINTS AND WILL NOT

RETURN UNTIL MAY 30. MIKANAGI WAS REASSURED BY VIRATA'S SYMPATHETIC UNDERSTANDING OF THE PROBLEM, BUT JAPANESE EMBASSY STAFF -- UPON RE-READING PD 1352 -- WAS NOT SO SURE. THIS FEELING HAS BEEN REINFORCED BY APPEARANCE OF NEWS ARTICLES THAT THE DEPARTMENT OF FINANCE HAS ISSUED THE IMPLEMENTING REGULATIONS FOR FULL APPLICATION OF PD 1352. WE ARE SEEKING CONFIRMATION OR CLARIFICATION FROM FINANCE.

4. JAPANESE EMBOFF HAS ASKED US TO JOIN HIM IN "JOINT APPROACHES" TO BOARD OF INVESTMENTS AND BUREAU OF INTERNAL REVENUE. HE ALSO MENTIONED THAT BOTH SECRETARY PATERNO AND BOI GOVERNOR CONRADO SANCHEZ HAVE BECOME UNAVAILABLE DURING THE PAST FEW DAYS. PATERNO'S INACCESSIBILITY HAS BEEN CONFIRMED TO US BY OTHER SOURCES.

5. WE TOLD JAPANESE EMBOFF THAT WE PREFER NOT TO JOIN IN A "JOINT APPROACH" BUT WOULD SUPPORT HIM IN A PARALLEL APPROACH. E/C COUNSELOR HAD ALREADY DISCUSSED PROBLEM BRIEFLY WITH PATERNO, WHO INDICATED HE WAS FIGHTING DEPT. OF FINANCE ON PD 1352. WE WILL REGISTER WITH ASSISTANT SECRETARY FOR ECONOMIC AFFAIRS IN DFA, AMBASSADOR PABLO SUAREZ, OUR CONCERN OVER THE EFFECT OF PD 1352 ON THE INVESTMENT CLIMATE. IN ADDITION, U.S. DOMINATED ASSOCIATION OF INTEGRATED CIRCUIT MANUFACTURERS (AICM), MOST AFFECTED GROUP, WILL UNDERTAKE ITS OWN EFFORT WHICH WILL LIMITED OFFICIAL USE

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PAGE 03 MANILA 08219 190242Z

SUPPORT LOCAL JAPANESE CHAMBER OF COMMERCE APPROACHES. AMCHAM PRESIDENT SUTER IS WRITING A LETTER TO PRESIDENT MARCOS. FINALLY, WEST GERMAN BUNDESTAG DEPUTY WILHELM PETER STOMMEL, IN A WELL PUBLICIZED INTERVIEW, POINTED OUT THAT THE KIND OF CHANGE IN POLICY IN PD 1352 DESTROYS THE CREDIBILITY OF A COUNTRY'S INCENTIVES LAW.

6. COMMENT. WE ARE PLEASED TO SEE THE JAPANESE OUT IN FRONT FOR A CHANGE, BUT BELIEVE IT UNWISE FOR US TO JOIN IN A JOINT DEMARCHE WHICH WOULD GIVE NOT ONLY AN APPEARANCE OF "GANGING UP" BUT ALSO AROUSE SUSPICION THAT THE U.S. AGAIN ORGANIZED SUCH AN EFFORT. IN FINAL ANALYSIS, GOP ITSELF HAS TO REPAIR DAMAGE FROM ITS OWN "FOOT SHOOTING EXERCISE," WHICH IS REVEALING ABOUT THE NATURE AND CIRCUMSTANCES OF DOING BUSINESS IN THE PHILIPPINES. TOUSSAINT

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** IMPORTS, TAX FREE  
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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**Executive Order:** N/A  
**Errors:** N/A  
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**Reference:** 78 MANILA 7633, 78 MANILA 7771, 78 MANILA 7847  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014